Annual Report 1972

Hershey Foods Corporation

Profile of Hershey Foods

Best known for its chocolate and confectionery goods, Hershey also manufactures macaroni products, operates a major nationwide coffee service system and produces portion controlled food items for institutions.

Founded in 1903 by Milton S. Hershey in what is today known as Hershey, Pennsylvania, the company now occupies a number of plant locations in four different states plus Canada. Hershey also grows almonds in its own orchards in California.

Hershey's popular brands of chocolate bars have been joined in recent years by Reese's Peanut Butter Cups, Rally, Hershey-ets, Kit Kat *and other new products. Hershey's products are sold throughout the United States & Canada.*

Macaroni products are manufactured by the company's subsidiaries, Delmonico Foods and San Giorgio.

Cory Corporation, Hershey's entry in the coffee service industry, also manufactures coffee brewing equipment and appliances.

National Portion Control produces prepared frozen meat and other convenience food products for institutional users.

It all adds up to Hershey Foods Corporation.

Financial Highlights

	1972	1971
Per Common Share		
Net Earnings	$1.58	$1.55
Dividends	$1.10	$1.10
Operations		
Net Sales	$416,171,159	$401,879,817
Earnings before Income Taxes	40,556,453	42,418,201
Income Taxes*	19,914,800	21,925,000
Net Earnings	20,641,653	20,493,201
Average Common and Common Equivalent Shares Outstanding	13,064,030	13,211,968

** Income Taxes have been reduced by allowable investment credits of $996,000 in 1972 and $96,000 in 1971.*

Annual Meeting

A formal notice of this meeting, together with a proxy and proxy statement, will be mailed to stockholders on or about March 16, 1973.

Stockholders who are unable to attend the meeting are urged to sign and return their proxies promptly so the stock of the company will be represented as fully as possible at the meeting.

To Our Stockholders:

We are pleased to report that sales reached a new record in 1972. As can be seen in the financial highlights on the opposite page, consolidated sales of $416,171,159 showed an increase of 3.6% over 1971. If 1971 sales of David & Frere were eliminated from the comparison (that subsidiary was sold as of January 1, 1972) then the sales increase would be 7.4%.

While the profit contribution of the Chocolate & Confectionery Division increased, the major problem was Portion Control Industries. Because of a sharp rise in meat costs and intense competition, it showed a net loss of $680,000 after the related income tax effect. We believe that price adjustments approved by the Price Commission together with lower operating costs will help toward a substantial improvement by this subsidiary in 1973.

On October 31, 1972, $30,000,000 of 7¼% debentures were sold. The proceeds were used to reduce short term borrowings incurred to provide working capital and to finance capital expenditures. The capital expenditures were primarily to expand facilities and plant capacity. We are also engaged in arranging an agreement for a long-term bank loan of up to $45,000,000, a major part of which will refund present bank term loans.

There were no price increases in our Chocolate & Confectionery products in 1972. To compensate for rising raw material and other costs we requested and received permission from the Price Commission to decrease bar weights and increase list prices early in 1973. The Commission's decision as to timing will limit the benefit to eleven months of 1973.

For the year ahead, we are concerned with continually increasing costs of our raw materials (most of which are not subject to price controls) while the food industry remains subject to mandatory controls. Current market prices of cocoa beans—the principal ingredient used by our Chocolate and Confectionery Division —are more than 50% above those at the beginning of 1972. We anticipate that for 1973 our cocoa bean costs will be substantially higher than in 1972. Due to competitive conditions in the industry and continuing price controls, we may not be able to recoup all cost increases. For these reasons we are unable to predict with any degree of certainty what 1973 earnings will be.

Hershey Foods is in a sound financial position, its market position is very good and growing, and its management staff is youthful and aggressive, with clearly defined goals.

We speak for all of HERSHEY'S directors in thanking our employees, our stockholders, and our customers for the cooperation and support that kept our company moving ahead in 1972.

W. E. Schiller
Chairman of the Board

H. S. Mohler
President

We Are Pleased To Answer Questions Asked Most Frequently About Our Operations

Q.

Since 1966, Hershey Foods has acquired a number of companies in the food business and in such related fields as food equipment and service. Why were these acquisitions made?

A.

We felt that diversification would lessen to some extent the impact of cocoa bean costs on our overall operations and would increase total corporate profitability. However, we are convinced that our chocolate and confectionery business also has considerable growth potential.

Q.

Is the company continuing to seek acquisitions; if so, in what fields?

A.

Yes. We will continue to seek lines or companies to complement existing businesses, specifically convenience items for the food service field. We are interested in other food and food related products.

Q.

Why did you sell David & Frere?

A.

This Canadian producer of cookies and biscuits had annual sales of about $14,000,000 and was profitable. However, it did not lend itself to combination with our other Canadian operations because of differences in marketing and channels of distribution. A small, not significant, profit was realized from the sale.

Q.

How is your cocoa bean inventory valued for reporting purposes?

A.

Inventories of cocoa beans, milk, almonds, and peanuts, are substantially all stated at cost under the "last in, first out" (LIFO) method.

Harold S. Mohler, standing
William E. Schiller, seated

Q.
What can you do about the effect of cocoa bean price fluctuations on your earnings?

A.
Cocoa bean costs can materially affect earnings. We can lessen the impact of price fluctuations in several ways. One method is through diversification mentioned before. Price changes can be made within certain limits to offset or partially offset changes in cost. Another is to promote products with a lower cocoa content, such as Reese's Peanut Butter Cups *and* Rally *bars. We can also try to minimize the effect of price fluctuations by forward buying.*

Q.
Comment on the international cocoa agreement.

A.
The agreement intended to control the price of cocoa beans within stipulated limits was signed on January 15, 1973 by all of the major producing and consuming countries with the exception of the United States. We concur in our government's position that the agreement, as written, will be unworkable, as it is much too complex. Time alone will tell whether we are correct in our contention but it should be pointed out that since there is no surplus of cocoa in the world there is presently no way of enforcing the maximum price established by this agreement.

Q.
What is your plan for the corporation's growth?

A.
We believe the most profitable expansion of the company can be achieved by a combination of four objectives: 1) Steady growth in our current line of products, 2) Introduction of new products, 3) Entering new markets and 4) Acquiring well-managed companies which have above average growth and earnings potential.

Q.
Which part of the company, chocolate or other foods, will provide the greatest growth over the next 5 years?

A.
We would expect our Chocolate and Confectionery Division to continue to provide the largest share of our sales and profits. However, on a percentage basis we would expect to see a greater improvement in both sales and earnings from the other areas of our business.

Q.
Would you comment on your plans for capital expenditures?

A.
Capital expenditures have been increasing in recent years due to capacity needs and replacement or modernization of facilities. It is anticipated that capital expenditures will approximate $20,000,000 to $25,000,000 in 1973 compared with $25,000,000 in 1972.

Q.
How important to the company is the plant tour program?

A.
We believe our visitor program enables us to build a lasting friendship with large numbers of consumers (966,863 people visited our Hershey, Oakdale, and Smiths Falls plants in 1972) because it educates and entertains at the same time. Since 1927, more than 10,000,000 people have visited the Hershey plant, and we are convinced that most of them left with very positive feelings about the company. New plans for the program are noted on the back page of this report.

Q.
What is the corporate philosophy with regard to government relations?

A.
Government relations is an ever increasing aspect of importance to Hershey. Our approach, which we believe to be the best course of action, is to analyze trends as they evolve and ensure that government decision makers are aware of our views. This objective requires continuous analysis of the legislative and regulatory aspects of government, the thinking of the academic community, and a knowledge of consumer attitudes and expectations.

Q.
What are your observations about the food industry?

A.
The food industry in the USA continues to supply the requirements of its consumers without eroding the consumers' disposable income. In 1972, the average consumer spent a lower percent of income for food than in 1962. The industry, however, is not without its problems. Profitability at the retail level is one of great concern. Hopefully, it will be resolved without any great upheavals in the industry.

Chocolate and Confectionery

Record sales again were achieved during 1972. All major brands shared in this performance as sales of the division reached $335,000,000 which was 8% greater than 1971. Profits were $19,600,000 or 6% more than a year ago.

An evaluation of the information published by the Department of Commerce indicates that our share of the confectionery market—a most important measure of growth—increased again this year. These results can be attributed to a combination of well planned consumer advertising, effective trade promotion, and an implementation of these programs by a highly skilled field sales organization. In this regard, it is also significant to note that increased sales were the result of volume increases since there were no price increases during the year.

Recent additions to our product line, such as Rally, Kit Kat *and* Mini-Chips *have been enthusiastically received by the trade and the consumer.*

A seven-week strike at the Western Plant in Oakdale, Calif., and Hurricane Agnes, which interrupted production at the Hershey, Pa. plant for approximately 10 days, adversely affected sales and earnings during the second quarter. However, for the most part, manufacturing operations were able to meet demand for our products with minimum delays on most items throughout the remainder of the year.

Plant Expansion

The H. B. Reese Candy Co. plant was expanded by approximately 200,000 square feet, which allows for increased production of peanut butter cups and the addition of a line to manufacture Kit Kat bars, production of which began in January 1973. An addition of approximately 65,000 square feet to our Oakdale, California plant was completed in February 1973.

Price Adjustments

Late in December 1972, authorization was granted by the Price Commission to increase prices and/or decrease weights on or after January 2, 1973. Because we were required to sell inventories on hand at former prices, and since new weight bars were not in general distribution for the first 30 days, benefits of the price increase were not achieved until February 1973. These adjustments were granted because of increases we incurred in the price of cocoa beans, sugar, milk, almonds, peanuts, and other ingredients, packaging materials, wages and the other costs of doing business. The increased costs may not be fully offset, however, by the price increases and weight decreases authorized. A major program of cost reduction and productivity increases is under way in order to offset this differential to the greatest extent possible.

Future Plans

Continued sales growth is planned in 1973, with that growth coming from current products, new products, and expanded distribution of newly introduced items. New products being further evaluated include After Eight—a delicious chocolate covered thin mint, elegantly packaged, and just right for any dinner party; Rolo—a chewy toffee covered with chocolate, sold in roll form and retailing at 10¢. Several other new items are in various stages of store and market testing and will be introduced in the near future if their potential warrants the investment in marketing and manufacturing facilities.

Advertising

We continue to investigate the feasibility of supporting all our brands with consumer advertising. In addition to national advertising on such brands as Hershey's Milk Chocolate, Hershey's Almond, Instant, Rally and Reese's Peanut Butter Cups, we are testing advertising on several other brands to

etermine the impact on ales. As these test programs re completed, advertising ill be expanded on those rands where it appears arranted and a sound nvestment. In 1972 onsumer advertising expen- itures for the Division ere approximately $13 illion, compared to 10 million in 1971.

Hershey Chocolate of Canada

Sales of the Canadian organization continued to show good increases in 1972, and operations are approaching a breakeven point. It is very encouraging to note that several of our brands have become well established in the Canadian market and we are confident about future results of this division.

Basic Tenets

We like to think that we are following some basic tenets which were primarily responsible for the company's success since the business was established nearly seventy years ago. A policy of the company has always been to maintain high manufacturing standards and the production of high quality products which carried maximum possible consumer value. We shall continue to manufacture high quality products which the consumer has come to expect from Hershey Foods.

Delmonico Foods, Inc. and San Giorgio Macaroni, Inc.

Hershey's entries in the pasta market progressed nicely in 1972. Net sales were approximately $16,000,000 and net earnings after tax $480,000.

In each company, a new president was at the helm for his first full year—Willoughby S. Dade at San Giorgio and Joseph P. Viviano at Delmonico.

Some rather ambitious and long-term goals and objectives were developed, and it appears that initial objectives of the long-term plan were achieved by each company in the year.

Sales hit a new high for the companies. Contributing to this record volume were certain new products, but the majority of the growth came in the established items. A sharp increase in flour prices caused much consternation and detracted from profits for a few months in the latter part of 1972, but government-approved price increases have now corrected the situation. Sales forecasts for 1973 indicate a continuing market expansion for both companies. Earnings are also predicted to increase, reflecting progressive marketing techniques and good production cost controls.

Cory Corporation

Chicago-based Cory Corporation, together with the Canadian Cory operation, enjoyed a new sales record of approximately $41,000,000. Profits after taxes were $1,250,000. The office coffee service aspect of Cory was especially strong, in spite of the 2,500 competitors who are following in Cory's pioneering footsteps. Cory now serves office locations approaching the 100,000 mark worldwide.

The consumer appliance and restaurant and insti-

tional equipment business was not without its problems. Sales, however, improved in both major segments of this division. Especially gratifying has been the restaurant and institutional trade response to the introduction of several new coffee brewers. A minor subsidiary of Cory Corporation, Flavor-Seal Corporation, and its division, Nu-Trend Products Company, were sold during the year 1972, and a relatively small manufacturing plant in Chicago was closed. These steps should enhance the profitability of Cory in the future.

Portion Control Industries, Inc.

Portion Control Industries' operating arm, National Portion Control, had a less than satisfactory year in 1972. Although a new sales record of over $24,000,000 was set, a net loss of $680,000 was recorded ($1,444,000 before tax). During the year, a new management team was assembled, headed by William J. Thome, who assumed the position of President in January 1972. Major emphasis was placed on product line consolidation, quality control, and de-emphasizing commodity oriented products. Major capital expansion efforts initiated in 1971 were completed which should result in improved operating costs. Employee relations and working conditions were improved and a retirement plan installed.

The major reason for the disappointing results in 1972 was the record high cost of our major raw material—beef. For many of the meat items National Portion Control uses, prices doubled during the year. The company applied for and received Price Commission approval for price increases in May 1972. However, because of intense competition in this industry, the company was unable to offset entirely its higher costs with price increases.

Given a reasonable price of beef during 1973, we believe National Portion Control will turn profitable. The trade response to its new image as a high quality service oriented food company has been most encouraging.

Consolidated Statement of Income and Retained Earnings

Hershey Foods Corporation and Subsidiaries

	For the Years Ended December 31 1972	1971
NET SALES	$416,171,159	$401,879,817
COSTS AND EXPENSES:		
Cost of goods sold	273,899,138	264,173,954
Selling, administrative and general	67,832,009	63,232,908
Shipping	24,143,263	23,357,065
Depreciation	6,129,746	5,943,497
Interest	3,610,550	2,754,192
Total costs and expenses	375,614,706	359,461,616
Income before income taxes	40,556,453	42,418,201
PROVISION FOR FEDERAL AND STATE INCOME TAXES (less allowable investment credits of $996,000 and $96,000)	19,914,800	21,925,000
NET INCOME	20,641,653	20,493,201
RETAINED EARNINGS AT JANUARY 1	162,147,149	154,960,572
	182,788,802	175,453,773
DEDUCT—Dividends: Preferred $.60 a share	240,000	270,000
Common $1.10 a share	13,053,868	13,036,624
RETAINED EARNINGS AT DECEMBER 31	$169,494,934	$162,147,149
NET INCOME PER COMMON SHARE (Note 5)	$1.58	$1.55

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

Hershey Foods Corporation and Subsidiaries

	December 31 1972	1971
ASSETS		
CURRENT ASSETS:		
Cash	$ 8,152,743	$ 4,463,235
Accounts receivable (less allowances for discounts and bad debts of $772,886 and $750,958)	26,292,777	26,341,497
Inventories:		
Raw materials	37,521,017	36,118,920
Goods in process	4,380,654	4,177,101
Finished goods	32,319,768	31,864,040
	74,221,439	72,160,061
Total current assets	108,666,959	102,964,793
PLANT AND PROPERTY, at cost:		
Land	5,139,778	7,362,298
Buildings	59,845,691	55,976,082
Equipment	112,252,310	101,790,749
	177,237,779	165,129,129
Less—accumulated depreciation	63,205,421	62,107,338
	114,032,358	103,021,791
GOODWILL	17,561,503	19,850,189
OTHER ASSETS:		
Deferred almond ranch development expenses	6,210,609	5,874,110
Deferred coffee service location costs	3,411,411	3,406,406
Other	5,844,146	5,539,093
	15,466,166	14,819,609
	$255,726,986	$240,656,382
LIABILITIES		
CURRENT LIABILITIES:		
Loans payable within one year	$ 7,003,358	$ 20,267,565
Accounts payable	11,094,437	12,523,694
Accrued liabilities	8,739,366	7,070,726
Federal and state income taxes payable	2,951,554	4,624,383
Total current liabilities	29,788,715	44,486,368
LONG TERM DEBT (Note 2)	51,364,444	26,533,396
DEFERRED INCOME TAXES	14,860,135	13,356,681
STOCKHOLDERS' EQUITY (Notes 3 and 4):		
Cumulative Preferred Stock- Authorized 2,000,000 shares; issued 400,000 convertible shares with dividend rate of $.60 per year	1,200,000	1,200,000
Common stock, without par value- Authorized 20,000,000 shares; issued 12,528,710 shares	9,391,496	9,391,496
Retained earnings	169,494,934	162,147,149
	180,086,430	172,738,645
Less-Treasury stock, at cost—704,905 and 551,975 common shares	20,372,738	16,458,708
Total stockholders' equity	159,713,692	156,279,937
	$255,726,986	$240,656,382

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Financial Position

Hershey Foods Corporation and Subsidiaries

	For the Years Ended December 31 1972	1971
SOURCE		
Net income	$20,641,653	$ 20,493,201
Add—Expenses not requiring outlay of working capital:		
Depreciation	6,129,746	5,943,497
Deferred income taxes	2,240,635	1,264,957
Working capital provided from operations	29,012,034	27,701,655
Proceeds from issuance of 7¼% Sinking Fund Debentures and other long term borrowings	30,014,475	3,500,000
Effect on working capital resulting from sale of David & Frere (1967) Ltee	5,745,462	—
Proceeds from sale of land	3,143,840	—
	67,915,811	31,201,655
DISPOSITION		
Dividends paid	13,293,868	13,306,624
Additions to plant and property	25,137,433	22,601,768
Payments of long term debt	5,568,952	5,514,316
Treasury stock acquired	3,914,030	3,652,609
Other (Net)	(398,291)	996,648
	47,515,992	46,071,965
Increase (Decrease) in working capital	$20,399,819	$(14,870,310)
CHANGES IN WORKING CAPITAL		
Increase (Decrease) in Current Assets:		
Cash	$ 3,689,508	$ (3,040,314)
Accounts receivable	(48,720)	2,791,853
Inventories	2,061,378	4,289,371
Total	5,702,166	4,040,910
Increase (Decrease) in Current Liabilities:		
Loans payable	(13,264,207)	15,037,495
Accounts payable	(1,429,257)	2,775,606
Accrued liabilities	1,668,640	1,567,211
Taxes payable	(1,672,829)	(469,092)
Total	(14,697,653)	18,911,220
Increase (Decrease) in working capital	$20,399,819	$(14,870,310)

The accompanying notes are an integral part of this statement.

Notes:

1

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the Company:

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. Intercompany balance sheet, income and expense accounts have been eliminated in consolidation. The accounts and transactions of the Company's Canadian subsidiaries and division are included in the accompanying financial statements at approximate current exchange rates, except that plant and property and the related depreciation expense are included at approximate exchange rates at dates of acquisition. Charges and credits as a result of foreign currency translation are insignificant in amount.

Inventories—Substantially all the inventories of cocoa beans, almonds, peanuts and milk, together with such material and wage costs included in finished goods and goods in process are stated at cost, under the "last-in, first-out" method. The remaining inventories are stated at lower of cost or market under the "first-in, first-out" or "average cost" method. The excess of replacement or market value over LIFO cost was $19,100,000 at December 31, 1972 and $2,700,000 at December 31, 1971.

Depreciation—The Company and its subsidiaries follow the policy of providing for depreciation of buildings and improvements over estimated lives ranging from 20 to 50 years and of machinery and equipment over estimated lives ranging from 3 to 25 years. The companies have employed straight-line and various accelerated methods in determining the annual charge for depreciation.

Goodwill—The goodwill represents the excess of cost over net assets of companies acquired at dates of acquisition. No amortization has been taken since, in the opinion of management, there has been no diminution of values of such assets. The decrease of $2,288,686 since December 31, 1971 is applicable to goodwill on companies sold during the year.

Deferred Items—Deferred development expenses consist of soil and water conservation payments and other preoperating expenses relating to the development of almond ranches by L. D. Properties Corporation, a wholly-owned subsidiary of the Company. Such costs will be amortized over the useful life (approximately 20 years) of the almond trees commencing with the date that a substantial commercial harvest is obtained (presently estimated to be during the year ending December 31, 1973).

Deferred location costs consist of certain expenses associated with the development and installation of new coffee service locations of Cory Corporation, a wholly-owned subsidiary. These costs are being amortized on a straight-line basis over the life of the installation, but not to exceed four years.

Marketing Costs—The costs of advertising and other marketing promotional programs are charged to expense during the year generally in relation to sales, and, except for materials in inventory and prepayments, are fully expensed by the end of the year in which the cost is incurred.

Income Taxes—Federal and state income taxes are provided for based on income recorded in the financial statements. Deferred income taxes arise principally from the use of different methods of depreciation for tax and accounting purposes and expensing for tax purposes almond ranch development expenses and location costs deferred for accounting purposes. The reduction in income taxes currently payable, resulting therefrom, is credited to deferred income taxes in the balance sheet. Deferred taxes included in the provision for income taxes for 1972 and 1971 were $2,240,635 and $1,264,957. The provision for income taxes has been reduced by allowable investment credits.

Retirement Plan—The Company and certain of its subsidiaries have a Retirement Plan covering substantially all employees of such companies. The total pension expense was $2,195,000 in 1972 and $1,780,000 in 1971. The Company's policy is to fund current service costs as incurred; virtually all past service liability has been funded.

2

Long term debt at December 31, 1972 consists of the following:

7¼% Sinking Fund Debentures due November 1, 1997. Payments to the sinking fund are required beginning November 1, 1978 in annual installments of $1,500,000	*$30,000,000*

Term loan at ¼ of 1% above prime interest rate (prime rate was 6% at December 31, 1972) until December 31, 1973 and ½ of 1% above prime rate thereafter, payable in equal semiannual installments ending December 31, 1977 ($11,785,714 less current portion of $2,142,857)	*9,642,857*
Term loan at ¼ of 1% above prime rate until December 31, 1974, and ½ of 1% above prime rate thereafter, payable in equal semi-annual installments commencing June 30, 1973 and ending December 31, 1976 ($10,000,000 less current portion of $2,500,000)	*7,500,000*
Various other loans	*4,221,587*
	$51,364,444

Each of the above loan agreements has restrictive covenants. The most significant of such covenants exist under the term loan agreements which require the Company not to permit funded debt (debt which is due in excess of one year) to exceed 50% of net worth and to maintain an excess of current assets over current liabilities of not less than $35,000,000.

3

Under the terms of the 1968 Stock Option Plan, a maximum of 500,000 shares of common stock may be issued to officers and key employees at not less than market value at the date such options are granted. The options are exercisable at any time until expiration, five years after granting or earlier in the event of death or other termination of employment by the optionee. At December 31, 1972, options for 111,000 shares at prices ranging from $26.29 to $27.22 were outstanding. During 1972, no options were granted or exercised and 4,000 options were canceled.

All outstanding options under a 1957 plan expired during 1972.

4

The preferred stock is convertible into the common stock of the Company on the basis of three shares of common for one share of preferred, in series, at various dates. All such Cumulative Preferred Stock must be converted by December 31, 1975. In the event of liquidation, each preferred share outstanding is entitled to the same amount as would be payable to the holder of three shares of common stock.

5

Net income per common share has been computed based on the average shares of common stock and common stock equivalents outstanding during the period (13,064,030 in 1972 and 13,211,968 in 1971). The shares of $.60 Cumulative Preferred Stock outstanding during each period have been included in the computation at their common equivalent of three shares of common for one share of preferred.

Auditors' Report

To the Stockholders and Board of Directors of Hershey Foods Corporation:

We have examined the consolidated balance sheet of HERSHEY FOODS CORPORATION (a Delaware corporation) and subsidiaries as of December 31, 1972 and December 31, 1971, and the related statements of consolidated income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements referred to above present fairly the financial position of HERSHEY FOODS CORPORATION and subsidiaries as of December 31, 1972 and December 31, 1971, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

New York, N.Y.,
February 7, 1973.

Ten Year Summary
Sales, Income and Dividends

Hershey Foods Corporation

Year	Net Sales	Net Income		Dividends	
		Total	Per Common Share	Common	Preferred
1972	$416,171,159	$20,641,653	$1.58	$1.10	$.60
1971	401,879,817	20,493,201	1.55	1.10	.60
1970	349,636,499	18,857,596	1.41	1.10	.45
1969	333,973,154	13,574,611	1.01	1.10	—
1968	296,045,285	19,898,149	1.67	1.10	—
1967	246,745,196	20,934,705	1.75	1.10	—
1966	225,738,443	24,973,012	2.09	1.075	—
1965	211,780,687	24,722,000	2.02	1.00	—
1964	207,129,308	22,745,755	1.86	.925	—
1963	203,021,904	22,233,913	1.82	.90	—

Note:
Net sales, net income and net income per common share for 1969 have been restated to give retroactive effect to the pooling of Portion Control Industries, Inc. The years prior to 1969 have not been restated.

Officers

H. S. Mohler
President
W. E. Schiller
Chairman of the Board
W. E. Dearden
Group Vice President
R. L. Uhrich
Vice President and Secretary
R. A. Zimmerman
Group Vice President
L. C. Smith
Vice President, Technical
L. W. Simmons
Treasurer and Comptroller

Board of Directors

W. E. Schiller, Chairman
J. E. Bobb
W. E. Dearden
J. Hemphill
H. S. Mohler
S. A. Schreckengaust, Jr.
R. L. Uhrich
A. R. Whiteman
R. A. Zimmerman

Executive Offices *19 East Chocolate Avenue, Hershey, Pa.*

Transfer Agent *First National City Bank, New York*

Registrar *Morgan Guaranty Trust Company, New York*

Auditors *Arthur Andersen & Co., New York*

Hershey Chocolate & Confectionery Division

Hershey, Pennsylvania
Oakdale, California

H. B. Reese Candy Co., Inc.

Hershey, Pennsylvania

L. D. Properties Corporation

Oakdale, California

Hershey Chocolate of Canada

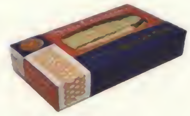
Smiths Falls, Canada

Delmonico Foods, Inc.

Louisville, Kentucky

Cory Corporation

Chicago, Illinois



San Giorgio Macaroni, Inc.

Lebanon, Pennsylvania

Portion Control Industries, Inc.

Chicago, Illinois

Hershey's Chocolate World

By mid-summer of 1973 the Corporation will open HERSHEY'S CHOCOLATE WORLD, *a visitors' center in Hershey which will feature an exciting ride through a simulated world of chocolate. This facility will replace the current plant tour program which has outgrown the chocolate plant's visitor capacity.*

Via a special conveyance, visitors will travel through lifelike cocoa bean plantations in the tropics. They will be transported alongside, around, and, in some cases, through depictions of most of the basic steps in the manufacture of chocolate and cocoa. Also included in the facility will be an area filled with illustrations from Hershey's past, an indoor garden which will include authentic cocoa bean trees, and chocolate-related shops.

HERSHEY'S CHOCOLATE WORLD *has been designed to accommodate 18,000 visitors per day, initially. Minor modifications will enable capacity expansion for 36,000 visitors per day. The new center will be completely separate from the Chocolate Plant, where some 900,000 people visited in 1972. It will be adjacent to the new main entrance of Hersheypark, which is being extensively redeveloped and expanded.*

HERSHEY'S CHOCOLATE WORLD *will involve no admission or parking fees. It will be open from 9 a.m. to 5 p.m., Mondays through Saturdays, and from noon to 5 p.m. on Sundays. These hours may be extended during the summer. The Center will be closed on Thanksgiving, Christmas, and New Year's Day.*

Stockholders will receive further information and a special invitation to visit HERSHEY'S CHOCOLATE WORLD.

Hershey's Chocolate World

Hershey Foods Corporation
Hershey, Pa. 17033, U.S.A.

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